

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6933

BILL NUMBER: SB 280

NOTE PREPARED: Jan 26, 2012

BILL AMENDED: Jan 26, 2012

SUBJECT: School Finance.

FIRST AUTHOR: Sen. Charbonneau

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *School Formula:* This bill provides for the distribution of basic tuition support, honors diploma awards, primetime distributions, special education grants, and career and technical education grants on a state fiscal year basis rather than a calendar year basis, beginning July 1, 2012.

The bill eliminates the specific dollar amounts specified by statute as the maximum amount to be distributed for these purposes. It provides that the maximum amount to be distributed for these purposes in a state fiscal year is the amount appropriated by the General Assembly for that state fiscal year.

Adjusted ADM: The bill provides for the counting of students in September and January of each year. It specifies that the September count applies to distributions made in November and December and in the following January and February. The bill also specifies that the January count applies to distributions made in March, April, May, June, July, August, September, and October of the year in which the January count is made. It provides that if a school corporation would have received a greater distribution for the months of July, August, September, and October if the September count of students (instead of the January count) had been used for distributions during this period, the school corporation is entitled to an additional distribution in November equal to the difference. It provides that if a school corporation would have received a lower distribution for the months of July, August, September, and October if the September count of students (instead of the January count) had been used for distributions during this period, the school corporation's distributions for November, December, January, and February shall be proportionately reduced so that the total reduction is equal to the difference. The bill also provides that if a school corporation would have received a greater distribution for the months of January and February if the January count of students (instead of the September count) had been used for distributions during this period, the school corporation is entitled to an additional

distribution in March equal to the difference. It provides that if a school corporation would have received a lower distribution for the months of January and February if the January count of students (instead of the September count) had been used for distributions during this period, the school corporation's distributions for March, April, May, and June shall be proportionately reduced so that the total reduction is equal to the difference.

The bill provides that the special education grant distributions made in February, March, April, May, and June of a calendar year shall be based on the count of students with disabilities that was made on the immediately preceding December 1. It provides that before February 1 of each calendar year, the Department of Education shall determine the amount of the special education grant that would have been received since the preceding July 1 if the grant had been based on the count of students with disabilities that was made on the immediately preceding December 1. This bill provides for a reconciliation of this amount with the amount of the special education grant received by the school corporation during that period.

Additional Adjustment for Transfers: The bill provides that in January and in September, the Department of Education must determine the amount of distributions that would have been received by a school corporation if the school corporation's distributions since the most recent count date had accounted for students who: (1) left a charter school or a nonpublic school eligible for the School Choice Scholarship Program, and enrolled in a public school maintained by the school corporation; or (2) left a public school maintained by the school corporation and enrolled in a charter school or a nonpublic school eligible for the School Choice Scholarship Program. It provides for a reconciliation of the school corporation's distributions, based on these determinations by the Department of Education.

The bill provides that if an individual who was awarded a Choice Scholarship leaves a nonpublic eligible school for which the individual was awarded the scholarship and enrolls in a public school maintained by a school corporation, the eligible school must pay to the Treasurer of State an amount equal to a percentage of the Choice Scholarship.

The bill requires the Department of Education to report to the State Budget Committee: (1) the number of students who left a charter school and enrolled in a public school maintained by a school corporation during the 2011 - 2012 school year; and (2) the number of students who received a Choice Scholarship for the 2011 - 2012 school year and left a nonpublic school and enrolled in a public school maintained by a school corporation during the 2011 - 2012 school year.

The bill appropriates \$30,900,000 for the state fiscal year beginning July 1, 2012, to cover state tuition support distributions.

Effective Date: (Amended) July 1, 2012.

Explanation of State Expenditures: (Revised) *School Formula:* The bill would change the current calendar year school formula to a fiscal year formula and changes the ADM used in the school formula calculations. Currently, the September 2012 ADM is used for the CY 2013 school formula calculations.

The bill would change the tuition support calculations for the last six months for CY 2012 and CY 2013. The following table shows which ADM count is used in the current law and what the change would be under this bill.

Distribution Month 2012	Current Law 2012	Proposed 2012	Adjusted ADM 2012	Distribution Month 2013	Current Law 2013	Proposed 2013	Adjusted ADM 2013
January	Sept 2011	Sept 2011	Sept 2011	January	Sept 2012	Sept 2012	Jan 2013
February	Sept 2011	Sept 2011	Sept 2011	February	Sept 2012	Sept 2012	Jan 2013
March	Sept 2011	Sept 2011	Sept 2011	March	Sept 2012	Jan 2013	Jan 2013
April	Sept 2011	Sept 2011	Sept 2011	April	Sept 2012	Jan 2013	Jan 2013
May	Sept 2011	Sept 2011	Sept 2011	May	Sept 2012	Jan 2013	Jan 2013
June	Sept 2011	Sept 2011	Sept 2011	June	Sept 2012	Jan 2013	Jan 2013
July	Sept 2011	Sept 2011	Sept 2011	July	Sept 2012	School Formula Expires July 1, 2013, Under This Bill	
August	Sept 2011	Sept 2011	Sept 2012	August	Sept 2012		
September	Sept 2011	Sept 2011	Sept 2012	September	Sept 2012		
October	Sept 2011	Sept 2011	Sept 2012	October	Sept 2012		
November	Sept 2011	Sept 2012	Sept 2012	November	Sept 2012		
December	Sept 2011	Sept 2012	Sept 2012	December	Sept 2012		

Generally the January ADM count has about 5,000 to 7,000 students less than the previous September ADM. The ADM used in primetime calculations would change in a like manner.

Adjusted ADM: Schools, including charter schools, could have their November through February distributions adjusted if the September 2012 ADM is different from their September 2011 ADM. In October of 2012, the difference in the FY 2013 tuition support for July through October is determined using the September 2012 ADM and the September 2011 ADM. If the difference is positive, then the November distribution is increased by the difference. If the difference is negative, then the November through February distributions are reduced by 1/4 of the difference. The same procedure would be done for the first six months of CY 2013. If the January 2013 ADM is different than the September 2012 ADM then the difference in the FY 2013 tuition support for January and February is determined using the January 2013 ADM and the September 2012 ADM. If the difference is positive, then the March distribution is increased by the difference. If the difference is negative, then the March through June distributions are reduced by 1/4 of the difference.

The counts used in the school formula for career and technical education would also change to two counts taken in September and January, similar to the ADM counts. The counts used in the school formula for the honors grants and special education would not change. The current count date for career and technical education count is in September at the time of the ADM count.

The special education count date would continue to be December 1 for the state and federal special education counts, and the honors count is the number of honors diplomas granted the previous school year. The special education count would have a reconciliation after the December count is determined, similar to the ADM reconciliation described above.

The bill appropriates an additional \$30.9 M for FY 2013 to fund the cost of moving the CY 2013 school

formula to July 1, 2012. Based on current projections, about 214 schools would receive increase tuition support and 144 schools would receive less tuition support for the last six months of CY 2012. The FY 2013 total appropriation for tuition support would be \$6,339.6 M.

Charter School Startup: The change of using the September ADM for the July through December tuition support calculations would allow new charter schools to receive tuition support beginning in November of the calendar year they open instead of waiting until the following January. The impact would depend on the number of new charter schools that might open and their enrollment. For the 2011-2012 school year, there were three new charter schools that opened with 305 students. The bill would have provided the schools about \$922,500 in funding for July to December of 2011. The amount in prior years for all new charter schools would have varied between \$3.5 M and \$8.2 M, depending on number of students and location.

This provision could eliminate the need for a charter school to borrow from the Common School Fund. Currently, a charter school does not receive tuition support until the January after they begin operation, so there is a six-month period they do not receive tuition support. Charter schools may still need some short-term borrowing until they receive their November tuition support. Currently, 58 charter schools have borrowed about \$75.6 M from the Common School Fund.

Calendar Year Reference: The bill changes references from a school calendar year to a state fiscal year for the administrative fee a charter school sponsor may charge a charter school. The provision should have little fiscal impact.

Additional Adjustment for Transfers: Effective, FY 2013, the bill would make an additional adjustment to tuition support for schools that students transfer between a school corporation and a charter school or a Choice Scholarship school. In addition to the counts in September and January, the Department of Education is required to determine the movement of students between school corporations and either charter schools or choice scholarship schools and determine the tuition support the school corporation and charter schools would have received if the count had been adjusted monthly for the transfer. If the school corporation or charter school would receive more funding then the additional funding is paid in March or November. If the school corporation or charter school would receive less funding then the reduction in funding is withheld in the March - June or November-January distributions. The impact on individual school is unknown but the total impact statewide should be minor.

In FY 2013, the bill would also clarify that if a choice scholarship student returns to a public school the choice scholarship school only retains the portion of the scholarship for the time the student was actually at the choice scholarship school.

The bill changes references for calendar year tuition support to fiscal year tuition support. The impact should be minor.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: See *Explanation of State Expenditures*.

State Agencies Affected:

Local Agencies Affected: Schools.

Information Sources:

Fiscal Analyst: Chuck Mayfield, 317-232-4825.